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Marlene H. Dortch, Secretary
Federal Communications Commission
445 Twelfth Street, S.W.
Washington, DC 20544

Re: Standardized and Enhanced Disclosure Requirements for Television Broadcast Licensee Public Interest Obligations, MB Dkt. 00-168

To the FCC:

Transparency and public accessibility of information is not only a journalistic imperative ("the lifeblood of our democracy"), but just as importantly, a business imperative for media companies in our capitalist economy. This is especially true for a medium, such as broadcasting, confronting what the economist Joseph Schumpeter so aptly described as "the gales of creative destruction."

A number of industry executives and spokespersons have argued that implementing this enhanced disclosure requirement would be cost prohibitive. Having spent much of the last two decades – first as a media executive and most recently as an economics professor working with media companies (large and small) to transform their business models for the digital age, I would like to offer an alternative view on the economics of this proposal. Simply put, in focusing on the near-term costs of meeting these new standards, broadcast companies are failing to acknowledge and also quantify the long-term threat to their business models if they lose the public's trust.

Extensive research conducted across industries over the last two decades has shown that a key predictor of a company's future profitability is customer loyalty. Loyal customers not only buy more of a company's product, but also sell more, by recommending the product to friends and associates. This is a marketing advantage that becomes even more economically powerful in this digitally connected age of social networks.

Further research into what drives loyalty to a news organization – regardless of size or reputation – reveals that consumers (readers and viewers) are loyal to media enterprises that they perceive as *the most credible and comprehensive source of news and information they care about.* Follow-up, one-on-one interviews with loyal customers – conducted here at the University of North Carolina in recent years and previously in proprietary research at several large news organizations – found that transparency of both funding and sourcing was critical in determining a news organization's perceived "credibility and comprehensiveness." For example, self-identified "liberals" could still be loyal to a news organization that they perceived to be "conservative", as long as they were confident they understood where an organization was "coming from."

In a co-authored paper entitled "The News Landscape in 2014: Transformed or Diminished" and presented at a Yale University conference November 2009 on *Journalism and the New Media Ecology,* Richard Foster (Yale Senior Fellow and author of *Creative Destruction: Why Companies That are Built to Last Underperform the Market and How to Successfully Transform Them)* and I studied the experiences of other industries – including technology, financial services and health care – in dealing successfully with disruptive innovation. We then identified three critical steps that traditional media companies must make *if* they are to survive and thrive in the digital age. They must:

1) Shed legacy costs by rethinking and "re-engineering" (to use a 1990's business term) their processes for gathering and distributing information.
2) Follow their customers, rebuilding community and loyalty online.
3) Follow the money, moving beyond traditional advertising and taking advantage of the new, transformative and interactive marketing opportunities available in the digital age.

All of these steps must occur more or less simultaneously and have the potential to re-establish a "virtuous cycle" of increased revenues leading to increased profits and, ultimately, superior journalism. But, in order to take maximum advantage of these new revenue possibilities envisioned in Step 3 (such as sponsorship of content or online events, such as webinars), news organizations first need to establish online community and loyalty. As just discussed, extensive research has shown that the transparency of *both* sourcing and funding leads to increased credibility for news organizations, and ultimately, to increased loyalty – setting in motion another "virtuous" economic cycle that has the potential to renew and revive traditional media companies.

Finally, a word about the first step, "shedding legacy costs by rethinking and 're-engineering' processes for gathering and distributing information". This seems like a very simple business imperative, but it can be a very difficult process to think through or implement during a time of immense disruption in the marketplace. This confusion seems evident from the comments submitted by several broadcasting companies on the FCC site who argue that in order to comply with these proposed "new" standards, they will need to add personnel. Without knowledge of the specifics of the new standard proposed, one could surmise that these companies are making the classic mistake of viewing this information request as "additive", instead of "in lieu of" the information that is already being captured and kept on file at the local stations.

Separately, my colleague Ryan Thornburg, who has spent the last year researching the accessibility of public records, has filed recommendations on what digital standards will provide for optimum transparency and timely public access. The industry and the FCC should work together to ensure that compliance with this proposal is a one-time conversion cost, and not an onerous on-going cost. It is quite simply, a wonderful opportunity to rethink and re-engineer the process of gathering this important information and making it truly available to journalists and the public.

In sum, there is not only a compelling journalistic argument for this FCC proposal, but also a compelling business reason for media companies to embrace it.

Sincerely,

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